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SMRT reports steady performance in its Non-Fare business and continues its investments in rail maintenance

GROUP PERFORMANCE HIGHLIGHTS

Financial Highlights for Second Quarter and Half-Year Ended 30 September 2015 ¹						
	2QFY16	2QFY15	% chg	1HFY16	1HFY15	% chg
Revenue (\$m)	328.8	314.0	4.7	649.1	611.1	6.2
Other Operating Income (\$m)	17.4	12.2	42.3	33.6	25.0	34.7
Total Operating Expenses (\$m)	313.6	292.9	7.1	622.5	573.5	8.5
Operating Profit (\$m)	32.5	33.3	(2.4)	60.2	62.6	(3.9)
PATMI (\$m)	25.7	25.3	1.9	45.9	47.6	(3.7)
EBITDA (\$m)	83.7	80.2	4.3	162.4	154.4	5.2
Basic EPS (cents)	1.69	1.66	1.8	3.01	3.13	(3.8)
				As at 30 Sep 15	As at 31 Mar 15	% chg
NTA Per Share ² (cents)				56.58	55.57	1.8
Net Gearing (%)				80	77	3

Group Revenue increased 4.7% to \$328.8 million in 2Q FY2016 due to broad based revenue growth across most of the segments. Operating profit fell 2.4% to \$32.5 million in 2Q FY2016 as operating expenses outpaced revenue growth.

PATMI however improved 1.9% to \$25.7 million with contribution from the Group's 49% stake in its associate - Shenzhen Zona Transportation Group Co., Ltd., which registered an improved performance in 2Q FY2016.

The Board has declared an interim dividend of 1.5 cents per ordinary share.

The Group's overall Fare business recorded an operating loss of \$1.4 million in 2Q FY2016. Train and LRT operations suffered a combined loss of \$4.0 million and Bus operations recorded an operating profit of \$2.6 million. The Non-Fare business registered an operating profit of \$33.1 million in 2Q FY2016.

Operating expenses rose 7.1% to \$313.6 million due mainly to higher repairs and maintenance (R&M) costs, staff costs, depreciation, and other operating expenses, partially offset by lower energy expenditure.

R&M costs remained high due to the rigorous maintenance regime implemented for the ageing rail networks, and operations of a larger bus and taxi fleet. Correspondingly, staff costs increased from headcount growth in rail maintenance personnel and bus captains, as well as salary increments. In tandem with our commitment to enhance rail reliability, the Group's Rail

¹ All figures are quoted in Singapore dollars.
² Excludes intangible assets.

maintenance-related expenditure³ in 2Q FY2016 accounted for 41% of Rail Revenue, compared to 39% in 2Q FY2015.

Depreciation increased due mainly to the capitalisation of a larger train fleet as well as new buses and taxis. Other operating expenses increased due mainly to full period costs associated with Kallang Wave mall which started operations in June 2014, higher contribution to the Public Transport Fund (PTF), expenses associated with costs for travel schemes introduced by LTA as well as higher equipment maintenance relating mainly to planned upgrade of enterprise-wide infocomm system. The higher other operating expenses also included provision for penalties and bus chartering expenses relating to train disruptions. Energy costs decreased due to lower diesel cost and electricity tariff, partially offset by higher consumption arising from a larger train and bus fleet.

Total assets increased 1.6% and stood at \$2.6 billion as at 30 September 2015 due mainly to higher property, plant and equipment, trade and other receivables, and inventories, partially offset by lower cash and cash equivalents.

The Group ended the quarter with a cash balance of \$136.6 million, compared to \$131.0 million at the start of the quarter. It generated \$75.5 million of cash flows from operations, utilised \$8.9 million in financing activities, and invested \$61.6 million mainly in property, plant and equipment. The Group's total borrowings stood at \$836.0 million, translating to a net gearing of 80%.

Business Performance⁴

Revenue and Operating Profit by Business Segment For Second Quarter Ended 30 September 2015						
	Revenue			Operating Profit		
\$m	2QFY16	2QFY15	% chg	2QFY16	2QFY15	% chg
Train	169.6	165.2	2.6	(2.8)	7.6	(137.0)
LRT	2.7	2.5	7.5	(1.2)	(0.7)	(68.2)
Bus	63.2	60.7	4.1	2.6	(1.4)	279.2
Fare Subtotal	235.5	228.4	3.1	(1.4)	5.5	(126.2)
Taxi	37.6	35.1	7.1	4.5	3.4	31.8
Rental ⁵	33.3	30.1	10.7	20.5	19.0	7.8
Advertising ⁶	11.0	9.4	17.3	7.4	5.2	42.7
Engineering Services	3.5	3.7	(4.2)	(0.1)	(0.9)	86.6
Other Services	7.8	7.3	7.2	0.8	0.5	68.2
Non-Fare Subtotal	93.2	85.5	9.0	33.1	27.2	21.7
Investment Holding/ Group Elimination	-	-	n.m	0.9	0.7	34.4
Total	328.8	314.0	4.7	32.5	33.3	(2.4)

Fare Business

The Group's overall Fare business recorded an operating loss of \$1.4 million in 2Q FY2016, compared to a profit of \$5.5 million in the previous corresponding period.

Despite an increase in fare revenue and lower electricity tariff, higher costs to support an expanded and ageing network, larger fleet, efforts to improve rail reliability as well as increased R&M related expenditure, continued to weigh on **Train** operations' performance, which suffered an operating loss of \$2.8 million in 2Q FY2016.

³ Rail maintenance-related expenses refers to rail maintenance staff costs, depreciation of rail maintenance assets and other rail maintenance-related operating expenses.

⁴ Details of the operating metrics are shown in the Annex on page 5.

⁵ Rental – the operating profit comprises EBIT attributed to Transit-oriented Rental business, and Other Property and Retail Management businesses.

⁶ Advertising – the operating profit comprises EBIT attributed to Transit-oriented Advertising business, and Other Media and Advertising businesses.

Notwithstanding the higher revenue, **LRT** operations suffered a higher operating loss of \$1.2 million in 2Q FY2016 compared to 2Q FY2015, due mainly to higher operating costs associated with the addition of new trains to the fleet.

Bus operations, on the other hand, improved from an operating loss of \$1.4 million in 2Q FY2015 to register an operating profit of \$2.6 million in 2Q FY2016. The improvement was on the back of higher revenue and lower diesel costs, partially offset by higher staff costs, depreciation and other operating costs.

Non-Fare Business

Profit from Non-Fare business increased by 21.7% to \$33.1 million in 2Q FY2016 due largely to improvements of Taxi, Rental and Advertising segments.

Taxi profit increased by 31.8% to \$4.5 million in 2Q FY2016 due to a larger and newer fleet. **Rental** profit increased by 7.8% to \$20.5 million in 2Q FY2016 with positive contribution from the Kallang Wave mall. **Advertising** profit improved by 42.7% to \$7.4 million with increased advertising on trains and buses. **Engineering Services** recorded a lower operating loss of \$0.1 million in 2Q FY2016 due to profit contribution from Singapore Rail Engineering. Finally, **Other Services** registered a higher operating profit of \$0.8 million in 2Q FY2016 arising from increased charter revenue.

OUTLOOK AND PROSPECTS

The Group is expected to face continuing challenges in the rail operating landscape. Operating expenses will continue to increase due to intensive maintenance and renewal programmes of the ageing network. That notwithstanding, the Group is fully committed in its efforts to further strengthen performance in rail reliability, maintainability, availability, capacity and safety.

The Group is making progress in its discussions with the authorities on the transition to a new rail financing framework.

Bus operations results is expected to improve compared to FY2015 due mainly to higher revenue and lower energy prices. We are in discussion with the authorities on the contract terms for the remaining bus services beyond the license expiry in August 2016.

The Group will continue to explore growth anchored on the strengths of its core public transport operations and adjacent capabilities, locally and overseas.

SMRT's President and Group Chief Executive Officer, Mr Desmond Kuek, said:

"We are fully committed to strengthening the level of service and reliability of our public transport services and meeting the network's higher capacity needs and operational requirements. We remain focused on our multi-year programmes to renew and upgrade the ageing rail network and will continue to pursue business growth in line with our core competencies."

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Enclosures:

- 1) *Unaudited Financial Statements for 2nd Quarter Financial Year 2016 ended 30 September 2015*
- 2) *Presentation for Results Briefing: 2Q FY2016 Financial Results*

ANNEX**OPERATING METRICS**

	2QFY16	2QFY15	1QFY16	2Q16 vs 2Q15 (%)	2Q16 vs 1Q16 (%)	1HFY16	1HFY15	1HFY16 vs 1HFY15 (%)
<u>Train</u>								
Total Ridership ('000)	189,625	187,008	185,641	1.4	2.1	375,266	365,096	2.8
Average Daily Ridership ('000)	2,084	2,033	2,040	2.5	2.1	2,062	1,995	3.4
Average No. of Passengers/Car Operated	64.4	64.6	64.4	(0.3)	(0.1)	64.4	64.3	0.1
Average Peak Period Passenger Load/Car (No. of passengers) ¹	199.7	203.4	198.4	(1.8)	0.7	199.0	204.9	(2.9)
Average Fare (cents)	89.4	88.4	90.0	1.2	(0.6)	89.7	88.5	1.4
<u>LRT</u>								
Total Ridership ('000)	4,997	4,667	4,805	7.1	4.0	9,802	9,221	6.3
Average Daily Ridership ('000)	54.9	50.7	52.8	8.2	4.0	53.9	50.4	6.9
Average No. of Passengers/Train Operated	17.0	26.1	17.6	(34.8)	(3.6)	16.0	25.4	(37.1)
Average Fare (cents)	53.5	53.3	54.2	0.4	(1.2)	53.9	53.7	0.4
<u>Bus</u>								
Total Ridership ('000)	96,479	94,637	93,608	1.9	3.1	190,353	183,869	3.5
Average Daily Ridership ('000)	1,060.2	1,029.0	1,028.7	3.0	3.1	1,045.9	1,004.6	4.1
Load Factor ² (%)	22.0	24.4	21.9	(2.5)	0.1	21.5	25.0	(3.5)
Average Fare (cents)	64.9	63.6	64.9	2.1	0.0	64.9	64.1	1.3
<u>Taxi</u>								
Average Holding Fleet	3,545	3,366	3,566	5.3	(0.6)	3,555	3,297	7.8
<u>Rental</u> ³								
Average Lettable Space (sqm)	37,235	37,423	37,235	(0.5)	0.0	37,235	37,192	0.1
No. of Shops/Units (as of end-period)	784	794	784	(1.3)	0.0	784	794	(1.3)
Average Occupancy Rate (%)	98.2	98.6	98.2	(0.4)	(0.1)	98.2	98.7	(0.5)

¹ An average of estimated maximum half-hour pax load per car during peak hours for selected stations along North-South East-West Line and Circle Line.

² As different vehicle types have different capacities, the average occupancy rate of buses is expressed as load factor.

³ Figures relate to spaces at MRT stations only.